



# Legal billing guidelines: Best practices

The ultimate guide to creating, communicating,  
And enforcing your outside counsel guidelines

Legal billing guidelines can be limited to a handful of pages or they can reach upwards of 50. A new or small legal department might not have them at all. Regardless of where your legal department finds itself on the “have or don’t have” spectrum, we’re here to help.

We analyzed the billing guidelines of our customers, from legal departments at the largest Fortune 100 companies to the smallest startups, to identify similarities and best practices. We’ve compiled our analysis into a comprehensive resource to help your legal team better understand how to effectively leverage billing guidelines when working with outside counsel.

# Table of contents

## 1 Introduction

## 3 Evaluating & creating billing guidelines

- Building the foundation: 5 must have components
- Meeting complex needs: additional requirements to keep in mind
- Optional sections: modernizing your billing guidelines

## 17 Communicating billing guidelines

- Collaborative communications
- Change management
- Dedicated legal operations

## 21 Enforcing billing guidelines

- E-billing & matter management solutions
- Metrics-driven evaluations
- Extreme ownership

## 24 Conclusion

- About SimpleLegal



# What are legal billing guidelines?

Billing guidelines, at their most basic level, create a binding agreement between a legal department and a law firm, ensuring payment in exchange for legal work. Today's modern legal departments – driven by efficiency and productivity – use billing guidelines as the primary way to communicate their expectations for work performed. This helps them obtain the highest quality and most efficient form of services from each law firm they work with, all for fair prices.

The purpose of billing guides is to strengthen the relationship between a legal department and their law firms, not to dictate terms. Having thoughtful conversations around billing expectations demonstrates provides objective requirements that can be referenced when a billing issue arises. This allows both parties to act consistently without emotions or personalities getting involved, while fostering an advantageous, longterm relationship.

## Glossary of terms

A **VENDOR** is any third party that helps support the legal department, most commonly law firms, but can also include consultants and outside counsel or legal professionals.

Throughout this white paper, the term **CLIENT** will be used to reference the in-house legal department as they are the client of the vendor or law firm.



**Evaluating and creating effective billing guidelines**



**Communicating expectations with law firms and incorporating feedback**



**Enforcing outlined policies with modern e-Billing solutions**

# Evaluating & creating billing guidelines



**Building the  
foundation: 5 must  
have components**



**Meeting complex needs:  
additional requirements  
to keep in mind**



**Optional sections:  
modernizing your  
billing guidelines**

There are no hard and fast rules about what should be included in billing guidelines. They vary based on attributes like company size, industry, and types of outside counsel you work with, to name a few. However, we've identified a few areas that are common across our customers' guidelines. Paying careful attention to these areas when drafting your own guidelines can ensure a comprehensive and enforceable document that benefits all parties.

# Building the foundation: 5 must have components

## 1. Introduction (purpose & scope)

All billing guidelines should begin with an introductory section that clearly states the purpose of the document. Think of this section as a way to communicate your expectations of your vendors, as well as how you view and value the relationship with them.

Setting clear and consistent expectations of your relationship at the beginning of the engagement helps ensure a productive client / law firm dynamic, and opens the conversation so your vendors can ask questions. Initiating an honest dialogue before any work begins ensures you and your vendors are on the same page, eliminates billing errors, and saves time for both parties.

### Example Text

Effective date for billing guidelines enforcement

Right to modify or reject invoices that don't comply with guidelines

Acceptance of terms or acknowledgement of receipt of guidelines

We highly value the relationship and services provided to [ Company ], and you contribute to the direct success of our company. We want to create an effective partnership with each vendor – one that is fair, of high quality, and professional. We expect that all matters handled by our vendors are in support of our company's business goals.

**The following policies and procedures outline the relationship between [ company name] and its vendors, and will become effective on [ date ] for all current and future matters.**

Please review these guidelines and make sure that all staff and timekeepers are familiar with the policies. **Failure to follow these guidelines may result in invoices being adjusted or rejected.**

**Sign and acknowledge receipt at the end of these guidelines. In case of conflict between these guidelines and any other engagement letter, the guidelines shall control unless otherwise agreed to in writing.**

## 2. Staffing

The staffing section of your billing guidelines should provide clear explanation of who has the right to hire vendors and outside counsel (i.e. the legal department), the appropriate level of staffing for certain projects, and the approval process prior to a change in staffing or engagement with a third party vendor. For further visibility into who is working on your matters, leverage this section to request that vendors provide an initial staffing list prior to engagement, pending approval from your team.

### In this section, include elements such as:

**1** Expectation to only pay for work that is appropriate of the timekeeper's role and title

**2** Explicit requests regarding the number of attorneys assigned to a matter

**3** Specific work your legal department won't pay for; work completed by interns, summer associates, nonadmitted attorneys, firstyear associates, etc.

### Example Text

To manage our matters efficiently and cost-effectively, all timekeepers should be appropriately staffed and doing work appropriate for their position:

1. **Partners should not bill work that can be done by associates or paralegals; associates should not bill work that can be done by paralegals.**
2. [ Company ] expects vendor will staff the minimum number of timekeepers required to perform the task.
3. **To minimize business interruption, [ Company ] expects the same timekeeper(s) will be staffed through a matter's duration.** Should a timekeeper give notice to leave, we ask that you notify [ Company ] no later than 3 days after notice is given. [ Company ] may not be billed for time spent educating new staff.
4. **We will not pay for interns, summer associates, or first year associates.**
5. Any new engagement must include a staffing list approved by [ Company ].
6. Any staffing changes must be approved by [ Company ].
7. Unless pre-approved, [ Company ] will not pay charges for firm overhead such as accounts payable, downtime, or learning time.
8. We require that one attorney be designated as the main point of contact to manage staffing and the vendor relationship.

Prior Approval is required for: Engaging services of a third-party vendor, hiring a consultant, or adjusting staffing that was not prior approved.

Your legal department can also use this section to make sure that vendors identify a contact who your legal department will communicate with. A dedicated point of contact ensures a streamlined flow of communication, eliminating time wasted from complicated email chains and confusion over work assigned.



### Best practice

**Avoid vague time entries and be as concise as possible with your billing guidelines!**

### 3. Billing

The billing section of your guidelines will outline how invoices must be submitted from the law firm to the legal department. If your legal department uses legal e-Billing software, this section can discuss how law firms are expected to interface with the software, as well as:

**1 Required information to be included with each invoice**

**2 Preferred format that invoices need to be submitted in**

#### Example Text

[ Company ] is now using e-Billing provider, SimpleLegal, to make it easier to manage and pay our legal invoices. SimpleLegal provides a vendor portal called CounselGO for you to submit invoices, check invoice status, and see the matters referred to you. For instructions, please read Getting Started with CounselGO.

Each invoice must have:

- Only one matter per invoice
- An itemized and clear description of the work performed
- The rate charged by the timekeeper
- The timekeeper's name and title
- The client matter ID referencing the matter created in SimpleLegal

When possible, [ Company ] prefers receiving invoices in LEDES format.



### Wait a second, what is LEDES format?

**LEDES** is an industry-accepted and globally recognized format for invoices with specifications that support hourly billing, flat fee billing, expenses, multiple currencies, and tax. If your vendors submit invoices to you electronically, requiring submission in LEDES ensures you receive data in a standardized format. This results in improved spend analysis because services can be viewed in proper context.

And there are benefits for your law firms too! With its efficient coding system, LEDES format reduces the time law firms spend on invoice creation and task descriptions, while allowing your legal department to accept invoices in a uniform format for ease of processing.

If your law firms do not have software that creates invoices in LEDES format, make sure your e-Billing and matter management system allows for PDF invoice submission or provides an interface that converts their invoice into LEDES format. This ensures your legal department can still track and analyze the valuable data within your invoices. [Click here](#) to learn more about LEDES format.

## Billing rates

Defining rates within your billing section ensures there is no confusion about what needs to be done prior to a vendor starting work on a matter, and makes it easier for you to manage your legal budgets. This section will also include how vendors should submit hours worked for approval (timekeeper rates) and what to do in the case of rate increases.

## Example Text

Prior to engaging in a matter, vendor must provide [ Company ] with all assigned timekeepers and their rates through SimpleLegal for approval.

Rate increases are not allowed unless approved in writing prior to time being billed. Bills should be submitted in quarter-hour increments (.25) and reflect time devoted to a matter.

## Fees and expenses

This section allows your legal department to define what you will provide reimbursement for. You can also include verbiage that mandates that any charges for expenses such as travel and meals must have receipts and be reasonable. A meal stipend per day, for example, can help ensure there is no confusion about what your legal department will pay for, thus mitigating overbilling issues.

## Example Text

[ Company ] will only pay services and tasks relevant to the matter. Below is a list of what [ Company ] will not accept invoices for:

- Preparation and submission of invoices, billing inquiries
- Accounting
- Administrative, secretarial or clerical tasks
- Photocopying, scanning, or printing unless approved prior
- File creation, organization, and maintenance
- Communication charges such as telephone, cellular, or video
- Postage fee
- Training or professional development time
- Duplicated efforts

We ask that timekeepers not block bill their time to provide [ Company ] with adequate visibility into the work done. Each line item should represent a separate task performed.

**Travel:** All airfare must be at economy or coach fare. We expect that you will find the most cost- efficient flights and book as far in advance as possible. Travel for 75 miles from the firm's office will not be reimbursed. Car travel will be reimbursed at the rates set by the IRS.

**Hotel:** We will reimburse up to \$300 per night. Please reach out to us in advance for a list of hotels with discounted rates.

**Meals:** Meals will be reimbursed for up to \$75 per person per day. If you eat in a group, you must each get separate receipts for reimbursement.

In the Fee & Expense section of your billing guidelines, you may also choose to attach an appendix of approved task code values and definitions for additional clarity on which charges your legal department will accept.

## Example Text

## Limit Billing to the following codes

Type	Code	Description
<b>L100 – Case Assessment, Development, Administration</b>		
	L110	Fact Investigation / Development
	L120	Analysis / Strategy
<b>L300 – Discovery</b>		
	L210	Pleadings
	L220	Preliminary Injunctions / Provision Remedies

## 5P's: Proper planning prevents poor performance

As with any project, planning is key for success! Drafting legal billing guidelines is no different.

Developing useful billing guidelines starts with internal conversations around what specific policies, processes, and procedures are most important to your legal department. You and your legal team can use information uncovered in these conversations to create a list of must haves to be included in your billing guidelines.

### Your billing guidelines can and should change over time.

Start small and evolve your billing guidelines as your department's needs evolve and grow.

**Hold internal conversations around policies, processes, and procedures important to your legal team**

**Create list of must-have elements to include in billing guidelines**

**Revisit & evolve billing guidelines over time**

### Already have billing guidelines in place?

Even if your legal department already has billing guidelines in place, you can optimize your guidelines by looking at past billing issues and their root cause. For example:

- Did your law firm bill incorrectly because expectations were not clear?
- Perhaps you realized that you'd prefer all your invoices to be submitted in LEDES format but never communicated this to your law firms?

Reviewing past billing issues will help you identify areas that your current guidelines fail to address, facilitating conversations among your legal department about the best ways to mitigate such issues moving forward.

## 4. Timing

The timing section of your billing guidelines will outline how you will pay law firms for work, as well as any tips to facilitate payment in a timely manner.

### Specific items to include in this section

### Example Text

1 When invoices should be billed (monthly)

2 Format payment will be made in (check or electronic payment)

3 Timeframes in which vendors should submit invoices; otherwise vendor non-payment or a discount may be applied

4 How payment will be made (in full parts, or with agreed-up adjustments)

Vendors must submit invoices for fees and expenses on a monthly basis no later than 30 days after the month in which work was done.

For each invoice, there must be one matter, unless instructed otherwise. We will work with you to review the invoice for accuracy and approve it in a timely manner for payment. Payment will be made in full electronically.

Late invoice submissions may result in the amount being discounted or non-payment.

Note that [ Company ] has no obligation to pay for invoices submitted more than 90 days after the work has been performed.

## 5. Signature page

Never assume that your law firms have read your billing guidelines! A signature page is an important and sometimes forgotten section of billing guidelines. Without one, your legal department faces an uphill battle when it comes to enforcement.

Your signature page should include instructions about reading the terms set in your billing guidelines and returning them, signed by required parties, in a timely manner.

### Example Text

Our firm acknowledges receipt of [ Company ]'s Outside Counsel Billing Guidelines.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Firm Name

\_\_\_\_\_  
Name

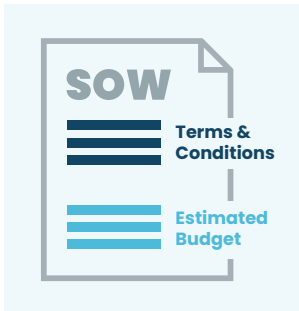
\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# Meeting complex needs: additional requirements to keep in mind

As your legal team and organization grow, the number of vendors you work with will increase, and you'll naturally have more complex requirements. Consider the following three areas to ensure your vendors are given consistent direction and that high quality work is provided.

## 1. Engagement letter & Statement of Work (SOW)



Some companies will request that their law firms provide a written letter outlining the SOW prior to working on a matter. Work will not commence until the statement is agreed to by the client's General Counsel.

The SOW is often used to outline the terms and conditions of the engagement and the estimated budget detailing hours, fees, and scope of the project. If a law firm is going to exceed a predetermined budget, you can add a clause in your SOW that deems it the law firm's responsibility to get re-approval.

### Example Text

Prior to any matter engagement, vendors shall provide a budget estimate for the matter duration. This budget shall estimate fees and expenses by matter engaged, and also include a breakdown of the staff assigned to the matter and their rates.

We ask that you update this budget monthly during the course of the matter, and if the billed amount will exceed the budgeted amount, you must notify us immediately. We must approve any proposed changes to the budget before additional work will be done.

[ Company ] will not pay for time spent preparing **budgets**.

With regards to the budget, there are two additional areas that can be discussed in this part of your billing guidelines: litigation practices and accruals.

## Litigation practices

For companies that are particularly litigation heavy and see the courtroom frequently, it is in your best interest to include a section outlining how to handle the budget for discovery, witnesses, mediation, and trials.

### Example Text

Expert witnesses and consultants shall not be brought in without approval from [ Company ]. We expect vendors to manage costs appropriately, so they should provide in writing the reason for the expert, the total expected costs, and the expert's value and past experience relevant to the matter.

## Accruals

Accruals are not just an accounting exercise. They're a valuable asset to your legal department in managing and controlling legal spend, as well as your finance department to ensure compliance with financial requirements mandated by the government.

### To increase participation in accrual estimates from your law firms, use your billing guidelines to share:

- 1 Explanation of what accruals are and why it matters
- 2 How to submit accruals i.e. via legal e-Billing and matter management software
- 3 Instructions for calculating accruals as well as the format to submit accruals
- 4 What to do if the law firm has no accruals to submit

### Example Text

[ Company ] collects and monitors accruals through its e-Billing provider, SimpleLegal, to better manage its financial liabilities.

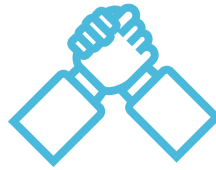
Accruals are fees and expenses incurred that have yet to be billed by the vendor.

- Accruals must be submitted monthly to SimpleLegal and reflect the fees and expenses you anticipate billing for the calendar month
- Separate accruals by matter unless prior instructions have been provided
- If you have no accruals to submit, you need to enter a '0'

# Strategies for ensuring accurate accrual estimates



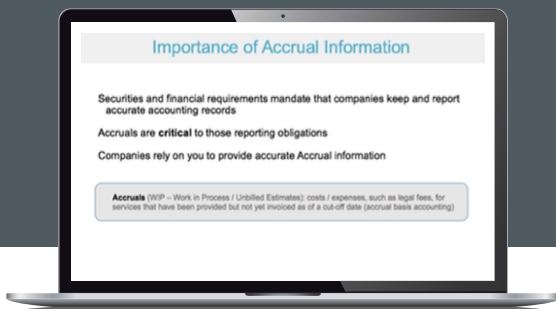
Open communication, ongoing training, and immediate and actionable feedback are instrumental in ensuring your law firms understand your accrual requirements and submit accurate estimates within the time period that you request.



Your law firm's main priority is to support your legal department in the most efficient way. By taking the time to explain the importance of accruals to your legal department and business, you have the opportunity to strengthen this relationship and minimize billing errors.



Communication doesn't stop here. Work closely with the main point of contact (or billing department) at each law firm and provide training and detail the proper way to calculate accrual estimates. If you see an error with a submitted accrual estimate, offer immediate feedback to prevent bad billing habits from forming.



[Download our Accruals Training Template](#) – a customizable template that can be updated to reflect your company's specific accrual requirements and be shared with your law firms for additional information regarding how to accurately calculate and submit accruals.

## 2. Alternative Dispute Resolution (ADR) & settlement

The way a company wants to approach ADR will vary. This section of your billing guidelines will list your legal team's feelings towards ADR and how it wants its law firms to deal with situations requiring resolution outside of the typical scope or settlement.

### Example Text

We encourage Alternative Dispute Resolution (ADR) and support opportunities to resolve matters as effectively and efficiently as possible.

### 3. Conflict of interest / Media & marketing / Gifts

There may be cases when a law firm identifies a conflict of interest for a particular matter or project. To protect your company, you may require your law firms to provide a written statement when there is a potential conflict of interest. Include that you have the right to proceed with or terminate the relationship with the law firm after being notified of the conflict of interest.

#### Additional points to surface within this section may include:

#### Example Text

- 1 How the company wants to be represented in advertising or the media
- 2 A conflict waiver that does not allow the law firm to speak on behalf of the client unless explicitly authorized to do so
- 3 Attorney-client privilege information and the expectation around sharing communications
- 4 Clause not permitting your department or company to accept gifts from law firms

Unless approved in writing, we do not allow our vendors to use [ Company ] in advertising, publicity, or to reference our name in the media.

Any requests for information from the media should be directed to the General Counsel.

For any matters vendors are engaged in, they are required to notify [ Company ] of any potential conflicts of interest. If a conflict of interest materializes during the course of the matter, vendors are required to notify [ Company ] in writing.

Likewise, [ Company ] and its employees do not accept gifts from our vendors to remove the potential for conflict of interest.

# Optional sections: Modernizing your billing guidelines

Billing guidelines should be viewed as a living document that changes alongside new or updated requirements. Best practices cite revisiting your guidelines on an annual basis to ensure that your legal department isn't providing vendors with outdated or incorrect billing instructions.

Forward-thinking legal departments are also using annual reviews of billing guidelines to update them against changes seen in today's legal landscape, as outlined in the following sections.

## 1. Internal controls & information security

The way information is passed from one entity to another has changed greatly over the past decade, making data security a priority for vendors and legal departments of all sizes. To safeguard your sensitive information, keep your billing guidelines up-to-date by adding a section related to internal controls and information security.

### You'll want to include information such as:

**1** Expectation of your vendors to have adequate internal control in place (i.e. insurance, recover plans, backups for data loss) to handle unforeseen circumstances

**2** Procedure to follow in case of theft or loss of technology holding valuable data

**3** Requirement of returning or destroying any files or documents provided to the vendor in the event the relationship with said vendor is terminated

### Example Text

We expect that all our vendors will have adequate controls in place to manage confidential information, communication, and documents.

Since our vendors often have access to some of our most sensitive data, we reserve the right to evaluate the information security practices of our vendors upon request. All work and documents provided to our vendors belongs to us, and upon termination of our engagement, we expect that vendors will return these files to us.

In the event that there is a violation or breach of information security, we expect that our vendors will notify us within 24 hours or less and comply with our investigation.

## Audits

Some companies use the internal controls and information security section of their billing guidelines to discuss audits. This gives your company's auditors and regulators the right to request any documentation in connection with work performed by your law firms.

Explicit anti-corruption laws such as FCPA Compliance / UK Bribery Act 2010 / US Foreign Corrupt Practices Act 1977, or the SEC Attorney Conduct Rules may also be referenced.

## 2. Diversity

Corporate diversity programs have come a long way with many legal departments making diversity a top consideration when hiring their outside counsel. Modern corporate legal departments have an expectation of their law firms to provide diverse staff with meaningful opportunities to perform services across all practice areas and at all levels of responsibility.

To show your commitment to diversity and ensure your vendors make a reasonable effort to align with this goal, explain the benefits of having a diverse set of opinions within your billing guidelines.

### Example Text

From time to time, our auditors or regulators may request a report or document. We expect that you will provide this information in a timely manner, but note that a request for such information is not a waiver of attorney-client privilege.

### Example Text

[ Company ] is committed to working with vendors who promote diversity in the workplace. We believe that creating an environment with diverse people, interests, and perspectives fosters a collaborative and inclusive culture, resulting in higher-quality output.



# Communicating billing guidelines



**Collaborative  
Conversations**



**Change  
Management**



**Dedicated Legal  
Operations**

Simply telling your vendors that your billing guidelines must be read, understood, and followed is a surefire way to set your legal department up for failure. This siloed approach emphasizes regulation instead of collaboration, causing guidelines to be treated as mere formalities and inconveniences. Inclusion must be a priority.

# Collaborative conversations

As legal departments throw work over the wall, only to complain about how much it costs when law firms throw it back, it's evident that a failure to communicate is hindering an effective legal department / vendor relationship.

It will be important to clearly communicate the value of billing guidelines and why your legal department is choosing to implement them. Provide an overview of how your billing guidelines will provide clarity and help the overall partnership between your legal department and each law firm it works with. Also share a high level overview of key changes as well as a resource or point of contact who can be contacted for questions and additional help.

When legal teams collaborate with vendors, the guidelines themselves are better understood, and therefore, more easily adhered to. Keep in mind that legal teams aren't looking to cut costs and end their relationships with vendors; they want to maintain a stable relationship with vendors that are familiar with their work.

**Make sure to discuss with your law firms:**



- **How billing guidelines will promote clarity and structure in billing processes**
- **Key changes that will come into effect with your billing guidelines**
- **Who to contact or where to find resources for questions and additional help**



## Do e-billing & matter management providers offer vendor support?

If you're going to be using an e-Billing and matter management solution to enforce billing guidelines (a topic we'll cover in more depth in the following enforcement section), know that not all providers support vendors. In some cases, vendor support is promised, however the actual support is so poor that vendors would rather discuss billing issues directly with their clients.

This is why it's important to ask a potential e-Billing and matter management provider what their policy is for vendor support. In addition to asking to speak to other law firms that invoice using the potential system, inquire about any online resource centers that can provide vendors with clear documentation and reliable troubleshooting advice.

To ensure 100% law firm adoption of an e-Billing system, consider these [23 questions](#) when vetting a potential solution for your legal department. [Get the full list.](#)

# Change management

Change management goes hand in hand with communication and is a key piece of communicating your billing guidelines. By defining the following four items, you'll be on the way toward creating an effective change management strategy:

1



Identify the vendors that this will be a change for. By understanding the different stakeholders involved (panel vendors vs non-panel vendors), you can anticipate potential questions and plan the appropriate communication strategy.

2



Take time to discuss the impacts for each stakeholder group. Map out the largest changes for each stakeholder group and be sure to work with your legal team to ensure that no challenge is overlooked.

3



Consider training resources. More than 96% of top law firms already submit invoices using SimpleLegal so many are familiar with invoicing through the system and how billing guidelines are enforced. However, no two billing guidelines are alike so provide additional training especially if an e-Billing and matter management system is being used to enforce the guidelines.

4



Discuss implementation timeline and expectations. Open communication (often, multiple communications) are critical in making sure everyone is on the same page.

Your communications plan should include:

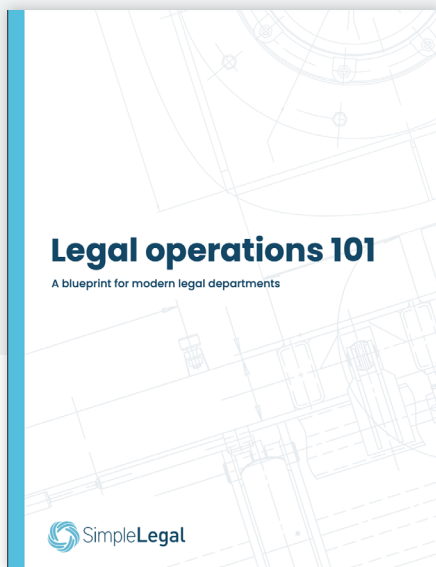
- A high level overview of the changes and, if applicable, the new system's release date
- Information about the actual change prior to roll-out, including a description of any training or resources that will be provided
- Communication on the roll-out date of your billing guidelines, including key resources the vendor can review

# Dedicated legal operations

Legal operations is emerging as the key function to support legal departments. In addition to streamlining operational processes, implementing new technologies, and working cross-functionally with departments across the organization, they are responsible for overseeing and managing all of the vendors the legal department works with.

In regards to vendor management, the goal of legal operations is to help each vendor better understand how they can do more for the overall business. In order to achieve this goal, it will be important to clearly define what the company's billing expectations are as well how the legal department defines and measure success – things that are often covered within your billing guidelines.

Legal operations can then make sure the guidelines are effectively communicated, understood, and adhered to. This helps facilitate payment for services rendered while making sure law firms are providing cost-effective, valuable, and high-quality work.



**Don't have a legal operations department? The legal operations industry continues to gain momentum and the role is being adopted and expanded within legal departments of all sizes.**

For more information on the growing legal operations role and its impact on the legal department, download our complete guide, [Legal Operations 101: A Blueprint for Modern Legal Departments](#).

[Download The Guide](#)

# Enforcing billing guidelines



**e-Billing & Matter  
Management Software**



**Metrics-Driven  
Evaluations**



**Extreme  
Ownership**

Enforcing your billing guidelines may seem like an uphill battle, but with the right tools and processes in place, you can be confident your billing guidelines are followed as intended and enforced.

# E-billing & matter management software

As legal technology advances and continues to innovate to satisfy the needs of data-driven legal departments, compliance is taking center stage. Legal e-Billing and matter management software helps promote compliance, specifically in regards to billing guidelines by scanning any invoice submitted to the system for breaches of established guidelines.

Here are just a few ways that e-Billing and matter management software can help track completed work against billing guidelines:

## Data validation

Many legal departments have requirements regarding the 'age' of invoices that they allow their vendors submit. In fact, billing guideline best practices have law firms submitting invoices within 30 days of the work being done.

With the right e-Billing and matter management system, you can specify the maximum age of an invoice (days between the invoice date and the date the invoice is submitted into the system) to ensure your law firms aren't submitting invoices outside of a specified time period. Similar to invoice age, look for a system that is able to enforce line item age to help prevent vendors from submitting older work on new invoices. Both validation options are extremely helpful for financial reporting.

## Task code validation

Task code validation starts with entering task codes, as well as the requirements for each, in your e-Billing and matter management system so they can be enforced. The task code validation function then scans the line items within the invoice, looking for charges on the task code. If the line item is missing a task code, or the charges on the line item exceed the task code cap, the invoice can be flagged, auto-adjusted, or rejected.

In most cases, validation occurs on standard UTBMS task codes. However, the best e-Billing and matter management solutions will allow you to validate on custom task codes for complete flexibility and advanced reporting capability.



### Task code validation

Task code validation is especially helpful for legal departments that deal heavily in patent work because there's often an agreed upon schedule with an on-time cost for each type of patent work being performed. When a vendor charges an amount above the agreed-upon rate for any section of work in the timeline, the system can help enforce your guidelines with the same flagging or adjusting feature previously mentioned.

## Timekeeper validation

When an invoice is submitted, an e-Billing and matter management system will scan any invoice and flag line item charges that exceed the agreed timekeeper rate or include an invalid timekeeper. This functionality identifies law firms that are encountering billing issues so you can discuss proper billing practices with them. From here, most systems will allow you to auto adjust to the approved rate, auto adjust to zero, or reject the invoice entirely.

## Metrics-driven evaluations

Enforcing billing guidelines with an e-Billing and matter management system that has robust reporting capabilities allows you to evaluate vendor performance – an important tool for understanding how vendors are following your guidelines.

The following metrics can be extracted from a data-driven solution like SimpleLegal to help you and your legal department identify any vendors that have consistent invoicing issues:

**Average Time to Bill** – By looking at the date an invoice is received and the date the invoice is last worked, you can understand the average time to bill. This gives you a better understanding of project complexity and the ability of your law firms to deliver work that satisfies your department's requirements.

**Guideline Adjustment Percentage** – Modern e-Billing and spend management solutions provide quick and easy access to reports that detail how many invoices from a particular vendor require adjustment for not adhering to your billing guidelines, along with the adjustment reason.

**Average Rate / Timekeeper Usage by Task** – If you've established the appropriate level of staffing for projects in your guidelines, a report that shows average rate by task can ensure you're staying within the rates you set.



**The metrics extracted from your e-Billing and matter management solution will continue to impact your billing guidelines. As you compile more and more data, you can leverage these metrics to create achievable and proven guidelines that promote consistency across your outside counsel relationships and guarantee high-quality work.**

Reliable legal metrics make it possible to track and report on billing behaviors from your law firms. By comparing these behaviors against your guidelines, you have better benchmarking for outside counsel work. Plus, you have data to support any decision to redirect work from law firms that aren't meeting your standards.

# Extreme ownership

If you've spent time creating billing guidelines and communicating them with your vendors, lack of enforcement results in time wasted and reverses any positive billing habits you attempted to create. You can mitigate this issue by assigning someone from your team to own the enforcement of your guidelines.

This person should also be responsible for a business review with vendors on a periodic basis, such as every six months, to see if they are following your guidelines. Your legal team is then able to show your vendors that you're continually assessing and evaluating their ability to comply with your guidelines. If inconsistencies are identified through reporting and analytics, the appropriate support and necessary staff training can be provided to ensure your vendors are on the same page as your legal department.

Again, it all comes back to having a continual feedback loop and the opportunity to have open and honest conversations.



## Best Practice

**Have a continual feedback loop and the opportunity to have open and honest conversations.**



## Conclusion

As legal departments of all sizes look to efficiently track, manage, and analyze legal spend, billing guidelines have emerged as one of the most powerful tools for effective cost control.

When created thoughtfully, implemented with open communication, and enforced with the help of invoice data and metrics, positive billing habits can be introduced and sustained for streamlined operations and an unwavering client / vendor relationship.

## About SimpleLegal

SimpleLegal provides a modern legal operations management platform that streamlines the way corporate legal departments manage their matters, track and interpret spend, and collaborate with vendors and law firms. SimpleLegal combines e-Billing and spend management, matter management, vendor management, and reporting and analytics into one comprehensive application to optimize legal operations and the management of the entire legal department.

**For more information visit:** [www.simplelegal.com](http://www.simplelegal.com)